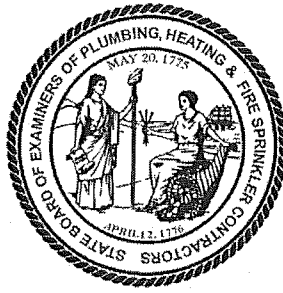


BOARD MEMBERS

W. H. EUBANKS Chairman
T. G. PROFFIT Vice Chairman
J. N. ROYAL Secretary/Treasurer
W. H. SULLIVAN III
D. H. EDWARDS, JR.
J. R. DUNN
R. J. OWENS

W. H. SULLIVAN III Board Member Emeritus



BOARD OFFICE

1109 Dresser Ct.
Raleigh, NC 27609
Phone: 919-875-3612
Fax: 919-875-3616
E-Mail: information@nclicensing.org

D. L. DAWSON Executive Director

State Board of Examiners of Plumbing, Heating & Fire Sprinkler Contractors

August 26, 2015

- To the North Carolina Secretary of State,
- To the North Carolina Attorney General,
- To the North Carolina Joint Legislative Administrative Procedure Oversight Committee,
- To the Office of State Budget and Management
- Office of State Auditor
- Office of State Controller

ANNUAL REPORT filed pursuant to the requirements of G.S. 87-20 and G.S. 93 B-2 for the year ending December 31, 2013

1. State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors, 1109 Dresser Ct., Raleigh, North Carolina 27609
 - a. **Members of the Board:**
 - William H. Eubanks, Wilmington, NC
 - Tommy G. Proffit, Lenoir, NC
 - John N. Royal, Raleigh, NC
 - D. Hunter Edwards, Charlotte, NC
 - William H. Sullivan III, Greensboro, NC
 - Jeffrey Dunn, Dunn, NC
 - Robert Owens, Raleigh, NC

b. Officers of the Board:

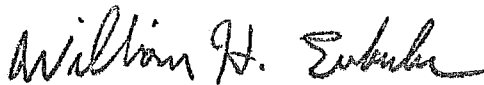
Chairman	William H. Eubanks
Vice Chairman	Tommy G. Proffit
Secretary/Treasurer	John N. Royal

2. The number of persons who applied to the board for examination	1091
3. The number who were refused examination	9
4. The number who took the examination	920
5. The number to whom initial licenses were issued	404
6. The number who applied for license by reciprocity or comity	0
7. The numbers who were granted licenses by reciprocity or comity	0
a. The number of official complaints received involving licensed and unlicensed activities	712
b. The number of disciplinary actions taken against licensees, or other actions taken against non-licensees, including injunctive relief:	
i. Disciplinary action against Licensees	219
ii. Actions against nonlicensees, including injunctive relief	198
8. The number of licenses suspended or revoked	
1. Suspensions	18
2. Revoked	10

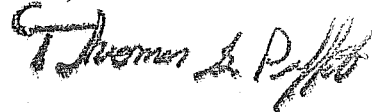
9. The number of licenses terminated for any reason other than failure to pay the required renewal fee 10
10. The substance of any anticipated request by the occupational licensing board to the General Assembly to amend statutes related to the occupational licensing board N/A
11. The substance of any anticipated changes in rules adopted by the occupational licensing board or the substance of any anticipated adoption of new rules by the occupational licensing board N/A

COPY OF ANNUAL FINANCIAL REPORT IS ATTACHED.

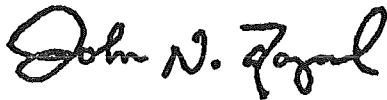
Respectfully submitted, this the 26th day of August, 2015,



William H. Eubanks
Chairman



Tommy G. Proffit
Vice Chairman



John N. Royal
Secretary/Treasurer



Dale L. Dawson
Executive Director



Greensboro, NC | Raleigh, NC | Winston-Salem, NC

Certified Public Accountants and Advisors Since 1947

March 30, 2015

Members of the Board

State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors
Raleigh, North Carolina

We have audited the financial statements of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the "Board") for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 12, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation which is based on the estimated useful lives of capitalized assets.
- Management's estimate of the current portion of the accrued vacation liability is based on an estimated 40% of the total liability.
- Management's estimate of the liability and required annual contribution for post-employment benefits, disclosed in Note 8, which is based on an actuarial report.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements and a listing of the journal entries is attached.

Disagreements with Management

For the purpose of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 30, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI

State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors
March 30, 2015
Page 3

This information is intended solely for the use of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors and management of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Bernard Robinson & Company, L.L.P.

BERNARD ROBINSON & COMPANY, L.L.P.

4/1/2015
4:19 PM

Client: 4665.0 - State Board of Examiners of Plumbing, Heating, and Fire
Engagement: Audit 2014 - State Board of Plumbing, Heating and Fire Sprinkler Contractors
Period Ending: 12/31/2014
Trial Balance: 1305 - TB
Workpaper: 1320 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass transfer from WF Checking to Cambridge Brokerage account.				
BRC137	Cambridge Brokerage Account		75,000.00	
999	Uncategorized Expenses			75,000.00
Total			<u>75,000.00</u>	<u>75,000.00</u>
Adjusting Journal Entries JE # 2				
To record accounts payable at yearend.				
		5104		
502A	Gas		770.00	
502B	Hotel		783.00	
502C	Field Staff Office Supplies		75.00	
502D	Auto Repair & Service		42.00	
502E	Misc. Travel		1,393.00	
503C	Office Supplies		687.00	
503D	Electronic Supplies		295.00	
503F	Miscellaneous Office Expense		45.00	
507	Exam		5,475.00	
510	Postage		77.00	
512	Seminar Expense (Employees)		225.00	
525	Computer & Phone Expense (Field)		221.00	
550B	Resolution Hearing Expenses		965.00	
901	Board Expense		373.00	
320	Accounts payable			11,166.00
503F	Miscellaneous Office Expense			240.00
Total			<u>11,406.00</u>	<u>11,406.00</u>
Adjusting Journal Entries JE # 3				
To capitalize fixed assets				
		4601		
142	Capital Assets- Office & Vehicl		56,000.00	
145	Capital Assets- Building/Land		4,200.00	
517	Purchase of Capital Assets			56,000.00
545	Building Expense and HVAC			4,200.00
Total			<u>60,200.00</u>	<u>60,200.00</u>
Adjusting Journal Entries JE # 4				
To dispose of fixed assets				
		4601		
148	Less Accumulated Depreciation		15,670.00	
408	Capital (Fixed) Asset Sales		34,549.00	
142	Capital Assets- Office & Vehicl			50,219.00
Total			<u>50,219.00</u>	<u>50,219.00</u>
Adjusting Journal Entries JE # 5				
To record depreciation for CY				
		4601		
562	Depreciation		90,196.00	
148	Less Accumulated Depreciation			90,196.00
Total			<u>90,196.00</u>	<u>90,196.00</u>
Adjusting Journal Entries JE # 6				
To record change in accrued vacation at 12/31/14.				
		5111		
327	Accrued Vacation		3,000.00	
531	Gross Wages			3,000.00
Total			<u>3,000.00</u>	<u>3,000.00</u>
Adjusting Journal Entries JE # 7				
To correct duplicate deposit posted at 12/31/2014.				
		4203		
101	Wells Fargo		1,195.00	
323A	Plumb/Heating/Fuel Renewal Fee		15,050.00	
323F	FS Residential Install. Renewal		260.00	
323G	Advanced Tech License Fee		345.00	
326	Overpayment - Renewals		130.00	
402A	Pibing/Heating/F Piping License		1,920.00	
409	Late Renewal Processing Fee		125.00	
418	Sublicensee Fee		50.00	
420	Trade Name Change		225.00	
510	Postage		34.00	
101	Wells Fargo			18,139.00
402A	Pibing/Heating/F Piping License			1,170.00
409	Late Renewal Processing Fee			25.00
Total			<u>19,334.00</u>	<u>19,334.00</u>

4/1/2015
4:19 PM

Client: 4665.0 - State Board of Examiners of Plumbing, Heating, and Fire
Engagement: Audit 2014 - State Board of Plumbing, Heating and Fire Sprinkler Contractors
Period Ending: 12/31/2014
Trial Balance: 1305 - TB
Workpaper: 1320 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8				
To adjust beginning net assets to agree with prior year financials.		6101		
BRC428	Miscellaneous revenue		5,049.00	
200	Net Assets			5,049.00
Total			<u>5,049.00</u>	<u>5,049.00</u>
Adjusting Journal Entries JE # 9				
To record unrealized loss on investments at year end.		4030		
BRC440	Unrealized (gain) loss on investments		590.00	
BRC137	Cambridge Brokerage Account			590.00
Total			<u>590.00</u>	<u>590.00</u>
Adjusting Journal Entries JE # 10				
To record required annual contribution to the OPEB plan for 2014.		5103		
BRC540	Annual required contribution - OPEB		11,042.00	
BRC328	OPEB Liability			11,042.00
Total			<u>11,042.00</u>	<u>11,042.00</u>

STATE BOARD OF EXAMINERS OF PLUMBING,
HEATING, AND FIRE SPRINKLER CONTRACTORS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013



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Member of a Global Association
of Independent Accounting
and Consultancy Firms



**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Board Members

BOARD MEMBERS (2014)

William H. Eubanks, Chairman

Thomas G. Proffit, Vice Chairman

John N. Royal, Secretary/Treasurer

Hunter Edwards

William H. Sullivan III

Jeffrey R. Dunn

Robert Owens

EXECUTIVE DIRECTOR

Dale L. Dawson

LEGAL COUNSEL

John N. Fountain

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**

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Independent Auditor's Report	3
<i>Financial Statements</i>	
Statements of Net Position	5
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014

Introduction

The following is a discussion and analysis of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors' (the "Board") financial statements for the year ended December 31, 2014. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous year are presented in the analysis.

Financial Highlights

During 2014, the operating revenues of the Board decreased by \$61,734 or 3%, due primarily to decreases in plumbing, heating and fuel piping contractor licensures and fire sprinkler maintenance technician licensures, which were offset somewhat by an increase in examination fees.

During 2014, the non-operating revenues of the Board decreased by \$20,379, due primarily to the loss on sale of vehicles of \$12,287 in 2014 compared with a gain on sale of vehicles in 2013 of \$13,405. This decrease was offset by an increase in interest income of approximately \$5,900 due to a change in the Board's deposit accounts to a different financial institution in 2014.

During 2014, the operating expenses of the Board increased by \$11,741 or .6%. Notable increases in employee insurance, legal fees and unemployment claims were offset by decreases in board member expenses, building maintenance and printing costs.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and noncurrent portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's net position changed as a result of the year's operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the years' activity.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014

The following presents condensed financial information on the operations of the Board as of December 31, and its operating and non-operating revenues and expenses for the years then ended:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 2,736,642	\$ 2,624,481	\$ 2,344,637
Capital assets	1,575,953	1,640,498	1,679,853
Noncurrent assets	74,410	-	-
Total assets	<u>4,387,005</u>	<u>4,264,979</u>	<u>4,024,490</u>
Current liabilities	1,468,329	1,430,841	1,342,602
Noncurrent liabilities	35,642	26,000	42,500
Total liabilities	<u>1,503,971</u>	<u>1,456,841</u>	<u>1,385,102</u>
Investment in capital assets	1,575,953	1,640,498	1,679,853
Unrestricted	1,307,081	1,167,640	959,535
Total net position	<u>\$ 2,883,034</u>	<u>\$ 2,808,138</u>	<u>\$ 2,639,388</u>
Operating revenues	\$ 2,004,640	\$ 2,066,374	\$ 1,961,069
Operating expenses	(1,924,290)	(1,912,549)	(1,828,493)
Operating income	80,350	153,825	132,576
Non-operating revenues (expenses)	(5,454)	14,925	7,309
Changes in net position	<u>\$ 74,896</u>	<u>\$ 168,750</u>	<u>\$ 139,885</u>

Events Affecting Future Operations

Management is considering upgrades to the building systems, including the purchase and installation of an emergency electrical power generator to maintain the lighting, HVAC and technology infrastructure (servers, networks, etc.) in the event of a power outage due to weather-related or man-made events.

Management is also considering upgrades to the technology infrastructure, including the purchase and installation of additional servers to process and store an ever-increasing volume of digital information.

The Board implemented a Post-Employment Health Benefits Plan effective January 1, 2014, which resulted in an actuarial accrued liability of approximately \$64,000 at January 1, 2014 and an estimated annual required contribution of approximately \$11,000 for the year ending December 31, 2014.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractors, 1109 Dresser Court, Raleigh, NC 27609.



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Independent Auditor's Report

Members of the Board
State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the "Board"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the Board's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors as of December 31, 2014 and 2013, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors and do not purport to and do not present fairly the financial position of the State of North Carolina as of December 31, 2014 and 2013, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
March 30, 2015

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Statements of Net Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,727,537	\$ 2,610,222
Prepaid expenses	9,105	14,259
Total current assets	<u>2,736,642</u>	<u>2,624,481</u>
Capital assets - net of depreciation:		
Land and building	1,400,948	1,423,477
Furniture and office equipment	25,854	65,490
Vehicles	149,151	151,531
Total capital assets - net of depreciation	<u>1,575,953</u>	<u>1,640,498</u>
Noncurrent assets:		
Investments - designated	<u>74,410</u>	<u>-</u>
Total assets	<u>4,387,005</u>	<u>4,264,979</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	44,257	47,700
Compensated absences- current portion	16,400	18,000
Unearned revenue	1,407,672	1,365,141
Total current liabilities	<u>1,468,329</u>	<u>1,430,841</u>
Noncurrent liabilities:		
Compensated absences - long-term portion	24,600	26,000
Other postemployment benefits obligation	11,042	-
Total noncurrent liabilities	<u>35,642</u>	<u>26,000</u>
Total liabilities	<u>1,503,971</u>	<u>1,456,841</u>
NET POSITION:		
Investment in capital assets	1,575,953	1,640,498
Unrestricted	<u>1,307,081</u>	<u>1,167,640</u>
Total net position	<u>\$ 2,883,034</u>	<u>\$ 2,808,138</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
License fees	\$ 1,812,796	\$ 1,868,706
Examination and application fees	121,190	111,115
Late processing fees	18,540	29,900
Other operating income	52,114	56,653
Total operating revenues	<u>2,004,640</u>	<u>2,066,374</u>
Operating expenses:		
Salaries and wages	764,372	749,371
Payroll taxes	58,939	56,629
Retirement contributions	62,167	60,736
Employee insurance	104,769	89,545
Other postemployment benefits contribution	11,042	-
Board members' expenses	41,457	53,669
Travel and lodging	53,158	61,719
Contracted temporary services	13,019	12,459
Telephone	10,309	13,457
Depreciation	90,196	107,946
Computer support	40,563	37,818
Building maintenance and utilities	28,245	40,860
Examination costs	72,069	68,052
Hearing expenses	26,468	25,606
Office and computer expenses	71,939	63,768
Printing	28,634	56,558
Postage and shipping	22,466	18,768
Insurance	40,233	36,993
Dues and publications	2,113	2,170
Legal, audit, and other professional fees	361,916	349,064
Continuing education expenses	12,688	7,361
Unemployment claims	7,528	-
Total operating expenses	<u>1,924,290</u>	<u>1,912,549</u>
Operating income	<u>80,350</u>	<u>153,825</u>
Non-operating revenues (expenses):		
Interest income	7,423	1,520
Unrealized loss on investments	(590)	-
Net gain (loss) on sale of assets	(12,287)	13,405
Total non-operating revenues (expenses)	<u>(5,454)</u>	<u>14,925</u>
Changes in net position	74,896	168,750
Net position - beginning of year	<u>2,808,138</u>	<u>2,639,388</u>
Net position - end of year	<u>\$ 2,883,034</u>	<u>\$ 2,808,138</u>

See Notes to Financial Statements

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from fees	\$ 1,995,057	\$ 2,079,135
Cash received from other operating revenues	52,114	56,653
Cash payments to employees for services	(993,247)	(893,237)
Cash payments to suppliers of goods and services	(687,682)	(689,702)
Cash payments for other operating expenses	(143,412)	(150,525)
Net cash provided by operating activities	<u>222,830</u>	<u>402,324</u>
Cash flows from investing activities:		
Purchase of investments	(75,000)	-
Interest on investments	7,423	1,520
Net cash provided by (used in) investing activities	<u>(67,577)</u>	<u>1,520</u>
Cash flows from capital and financing activities:		
Acquisition of capital assets	(60,200)	(82,970)
Proceeds from sale of capital assets	22,262	27,784
Net cash used in capital and financing activities	<u>(37,938)</u>	<u>(55,186)</u>
Net increase in cash and cash equivalents	117,315	348,658
Cash and cash equivalents - beginning of year	<u>2,610,222</u>	<u>2,261,564</u>
Cash and cash equivalents - end of year	<u>\$ 2,727,537</u>	<u>\$ 2,610,222</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 80,350	\$ 153,825
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	90,196	107,946
Changes in assets and liabilities:		
Prepaid expenses	5,154	68,814
Accounts payable	(3,443)	8,325
Unearned revenues	42,531	69,414
Compensated absences	(3,000)	(6,000)
Other postemployment benefits obligation	11,042	-
Total adjustments	<u>142,480</u>	<u>248,499</u>
Net cash provided by operating activities	<u>\$ 222,830</u>	<u>\$ 402,324</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The State Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 87 of the North Carolina General Statutes (NCGS). The Board is composed of seven members who are appointed by the Governor.

The Board is established to protect the public health, safety and welfare of the citizens of North Carolina by maintaining minimum standards for services provided by plumbing, heating and fire sprinkler contractors.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and may be reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

The accompanying financial statements present all funds and activities for which the Board is responsible.

Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board ("GASB").

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability has been incurred, regardless of the timing of the cash flows.

The Board classifies its revenues as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of examination and license fees. Operating expenses are all expense transactions incurred other than those related to capital and non-capital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions and consist primarily of investment activities.

Cash and Cash Equivalents

This classification includes cash on deposit and money market accounts with financial institutions. For purposes of the statements of cash flows, the Board considers all investments with an original maturity of three months or less when purchased as cash equivalents.

Investments

Investments consist of equities and mutual funds and are reported at fair value. Fair values are based on readily available market quotes.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$1,000 or greater at the date of acquisition and an expected useful life in excess of two years. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	7-40 years
Furniture, office equipment, and software	3-10 years
Vehicles	8 years

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

The Board's fees are assessed and collected on a calendar year basis, which corresponds with the Board's accounting period. Licenses are renewed for a period of one calendar year. License renewal fees received in the latter part of the fiscal year are reported as unearned revenue and recognized as revenue over the one-year period to which they relate.

Compensated Absences

Board employees may accumulate up to thirty days earned vacation which is fully vested when earned. The Board approved a new policy in 2013 whereby employees with a minimum of 100 banked hours, who have taken a minimum of 40 hours of vacation during the previous twelve calendar months prior to December 1 of each year, may participate in the Board's vacation leave buyback program. The employee can sell back a maximum of 80 hours of vacation time annually, but may not fall below 80 hours of accrued vacation time banked. The Board paid \$13,789 and \$15,392 to employees under the vacation buy-back program for the years ended December 31, 2014 and 2013, respectively.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave credits at the rate of 8 hours per month for full-time permanent employees. During 2013, the Board approved a new policy whereby employees with a minimum of 700 hours of sick leave accumulated may participate in the Board's sick leave buy-back program. The employee can sell back a maximum of 80 hours of sick time during a calendar year, but must maintain a minimum of 620 hours in sick leave. The Board paid \$4,290 and \$3,306 to an employee under the sick leave buy-back program for the years ended December 31, 2014 and 2013, respectively. Since the Board had no obligation for accumulated sick leave at December 31, 2014, no accrual for sick leave has been made.

Employees who are eligible and elect to participate in the vacation and sick leave buyback programs must notify the Board no later than November 15 of each year with the payment made to the employee on December 15.

Net Position

The Board's net position is classified as follows:

Investment in Capital Assets - This represents the Board's total investment in capital assets net of accumulated depreciation.

Unrestricted - This represents assets with no externally imposed stipulations as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS

The Board's deposits include cash on deposit with Wells Fargo Bank (the "Bank") in operating and money market accounts.

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits exceeding FDIC limits are collateralized daily by Public Funds owned by the Bank.

NOTE 3 - INVESTMENTS

During 2014, the Board created a designated fund to be used for funding the post-employment benefits, described in Note 8, to be segregated from other funds of the Board and not to be used for any other purpose. The Board's investment policy stipulates the funds may be invested by the Board in any type investment used by the State Retirement System for investment of its retirement funds, but excluding derivatives, hedge funds, options, real estate or the equivalent. The funds are monitored by the Board's Chairman to ensure dividends are being earned and, if necessary, the Board has the option to change the investment mix upon Board approval. An initial amount of \$75,000 was invested in the fund in 2014 with \$25,000 to be added to the fund annually beginning in 2015.

The Board is subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the Board may face should interest rate variances affect the fair value of investments.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table presents the cost and fair value of investments by type and investments subject to interest rate risk and credit risk at December 31, 2014:

	Cost	Fair Value	Unrealized Loss
Bank deposits	\$ 40,219	\$ 40,219	\$ -
Equities	30,271	29,681	(590)
Mutual funds	4,510	4,510	-
Total investments	<u>\$ 75,000</u>	<u>\$ 74,410</u>	<u>\$ (590)</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**

Notes to Financial Statements

NOTE 3 - INVESTMENTS (Continued)

The bank deposits included in the above investments are insured by the FDIC up to \$250,000. The equities and mutual funds are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. The SIPC is a nonprofit member corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of the brokerage firm.

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended December 31, 2014 and 2013 are as follows:

	Cost 12/31/2013	Additions	Retirements	Cost 12/31/2014	Accum. Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,180,710	4,200	-	1,184,910	283,962	900,948
Furniture/ equipment	388,362	-	-	388,362	362,508	25,854
Vehicles	185,019	56,000	50,219	190,800	41,649	149,151
	<u>\$2,254,091</u>	<u>\$ 60,200</u>	<u>\$ 50,219</u>	<u>\$2,264,072</u>	<u>\$ 688,119</u>	<u>\$1,575,953</u>

	Cost 12/31/2012	Additions	Retirements	Cost 12/31/2013	Accum. Depreciation	Net Amount
Land	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Building	1,180,710	-	-	1,180,710	257,233	923,477
Furniture/ equipment	388,362	-	-	388,362	322,872	65,490
Vehicles	156,239	82,970	54,190	185,019	33,488	151,531
	<u>\$2,225,311</u>	<u>\$ 82,970</u>	<u>\$ 54,190</u>	<u>\$2,254,091</u>	<u>\$ 613,593</u>	<u>\$1,640,498</u>

NOTE 5 - COMPENSATED ABSENCES

Changes to accrued vacation are as follows:

	2014	2013
Beginning accrued compensated absences	\$ 44,000	\$ 50,000
Vacation earned	48,622	45,836
Vacation used	(51,622)	(51,836)
Ending accrued compensated absences	<u>\$ 41,000</u>	<u>\$ 44,000</u>

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 6 - OPERATING LEASE

The Board leases a postage machine under an operating lease which expires in June of 2017. Total rent expense charged to operations under the lease agreement was \$3,465 in 2014 and 2013. The following is a schedule of future minimum lease payments required under the lease:

<u>Years Ending December 31:</u>	
2015	\$ 3,132
2016	3,132
2017	1,566
	<u>\$ 7,830</u>

NOTE 7 - RETIREMENT PLAN

In 1997, the Board established a salary reduction, defined contribution retirement savings plan in accordance with Internal Revenue Code Section 401(k). Participating employees must contribute at least 6% of their compensation each year, up to IRS deferral limitations. Additionally, the Board makes discretionary contributions to the plan which amounted to 8.15% of employee compensation in 2014 and 2013. Voluntary contributions by employees were \$71,650 during 2014, and the Board's contribution was \$62,167. Voluntary contributions by employees were \$70,304 during 2013, and the Board's contribution was \$60,736. The employee's contributions are 100% vested immediately, and the Board's matching contributions are 100% vested after 5 years of credited service.

NOTE 8 - POST-EMPLOYMENT BENEFITS

Effective January 1, 2014, the Board established the *State Board of Examiners of Plumbing, Heating & Fire Sprinkler Contractors Retiree Health Care Arrangement* (the "Plan"), which is considered an other post-employment benefit plan ("OPEB") and is accounted for under the provisions of Governmental Accounting Standards Board Statement 45 ("GASB 45") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The plan is a self-administered, single-employer plan. Significant terms of the Plan are as follows:

Employees retiring on or after age 60 and having completed 20 but less than 25 years of Board service shall be eligible to receive a defined contribution from the Board of \$150 per month for health care costs. Employees retiring on or after age 60 and having completed 25 but less than 30 years of Board service shall be eligible to receive a defined contribution from the Board of \$250 per month for health care costs. Employees retiring after completion of 30 years of Board service at any age shall be eligible to receive a defined contribution from the Board of \$400 per month for health care costs. Every five years the Board's Executive Committee will perform a market comparison and, at the discretion of the Board's Executive Committee, may increase the amount of the defined distribution to mimic the increase in the economic environment of the previous five year period, but in no case may the Board decrease the defined contribution.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 8 - POST-EMPLOYMENT BENEFITS (Continued)

The Board obtained an actuarial valuation of the Plan, resulting in an actuarial accrued liability (AAL) of \$64,054 at January 1, 2014, representing 9.5% of covered payroll, and an annual required contribution (ARC) beginning in 2014 of \$11,042. The ARC consists of normal cost plus assumed interest, and amortization of the AAL which is calculated assuming a 30-year open level annual amortization schedule. Covered payroll consists of twelve active employees. Based on the average age of the active employees, expected benefit payments will begin in the year ending December 31, 2028. A discount rate of 4.5% was used for the valuation, which represents the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits, with consideration given to the nature and mix of current and expected investments. The actuarial valuation reflects a long term perspective and involves estimates of the reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

In addition to the post-employment health benefits, a retiring employee, at the time of 25 years of service, may chose to have the balance of their sick time distributed at the rate of \$.30 for each \$1 of value in time accrued. The rate of pay for each hour is the average of the hourly rate of the retiring employees' pay during the last five years of employment.

During 2014, the Board designated funds which are held in a brokerage account to be used solely for the funding of the post employment benefits. These designated investments are described in Note 3.

NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members up to \$1,000,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's Public Officers' and Employees' Liability Insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes Board members, building and contents, commercial liability, workers compensation and employers' liability, and vehicle.

NOTE 10 - CONTINGENCIES

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the year under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the year herein ended.

**STATE BOARD OF EXAMINERS OF PLUMBING, HEATING, AND
FIRE SPRINKLER CONTRACTORS**
Notes to Financial Statements

NOTE 11 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through March 30, 2015, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

The audit was conducted in approximately 80 hours at a cost of \$9,950.